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## NEW REPORT FINDS CONFUSION ON MEDICAID PAYMENTS

*Baucus says new rules in supplemental spending bill are right first step for repair*

**Washington, DC** – A new report on efforts by the Center for Medicare and Medicaid Services (CMS) to oversee states' financing arrangements for Medicaid shows inconsistencies and confusion about how states are allowed to draw down Medicaid funds for public hospitals, nursing homes, and other facilities. Senate Finance Committee Chairman Max Baucus (D-Mont.) says that a new CMS rule cutting payments to public hospitals and nursing homes should be put on hold so that the Finance Committee can determine the best way to manage concerns about financing arrangements. CMS argues that the rule is needed to keep states from shifting money between public facilities and state accounts to get more Medicaid dollars than they deserve. But the CMS rule would unfairly limit public hospitals and nursing homes to reimbursements at exactly the cost of care, while private hospitals and nursing homes would still be able to make a profit from Medicaid payments. GAO found that CMS has not been clear with states about how financing can be arranged appropriately, and made major policy changes with little advance notice. Many states were forced to end financing arrangements that CMS had previously approved, but some states were still offered waivers or ad-hoc alternative arrangements to keep drawing down funds.

**“CMS’s rules for Medicaid provider payments need to be clear and consistent, period. Continued confusion over the appropriate ways to finance Medicaid services will result in less focus on serving patients as states try to keep up with CMS’s ever-changing standards,”** said Baucus. **“If there is fraud or abuse of Medicaid’s limited resources, we need to stop that. But hastily cutting payments to public facilities and limiting their ability to contribute toward state Medicaid costs, as the CMS rule would do, could do more harm than good. Some will say that CMS’s new rule will stop financing abuses immediately and clear the problems up. But the new rule still allows open-ended interpretations of financing guidelines that could result in the same case-by-case inconsistencies. Congress needs time to consider this problem and to act more carefully.”**

The supplemental spending bill passed by the Congress last week places a one-year moratorium on CMS’s new rules for provider payments. Although the GAO report calls for CMS to promulgate new rules to stop financing abuses, Baucus and other colleagues feel that the currently proposed rule is a too-hasty answer that will result in more confusion. As noted, GAO’s report specifically criticized CMS’s lack of transparency about financing arrangements, saying that their rulemaking on financing arrangements departed from traditional protocols and weren’t sufficiently noticed to the public. Furthermore, GAO found that CMS had provided no documented explanation of rule changes or findings of wrongdoing in three out of four cases where states’ financing arrangements were forced to end. The full GAO report, entitled “Medicaid Financing: Federal Oversight Initiative is Consistent with Medicaid Payment Principles but Needs Greater Transparency” (GAO 07-214), can be found online at [www.gao.gov](http://www.gao.gov).

**“It is clearly time for Congress to step in, shed some light, and inject some rationality into the rules governing Medicaid payment to public providers,”** said Baucus. **The provisions in the supplemental spending bill will push the pause button and keep CMS from making a**

**bigger mess. We need time for more consistent solutions and oversight, to make sure states do Medicaid financing right.”**

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